September / October 2012

key mortgage solutions
finance for home and business
Australian Credit Licence No 381336

money matters

To fix or not to fix ... that is the question?

With speculation as to where interest rates could be heading, many borrowers may be considering the option of fixing all, or part, of their home loan. However, there are various aspects to consider prior to making the decision.

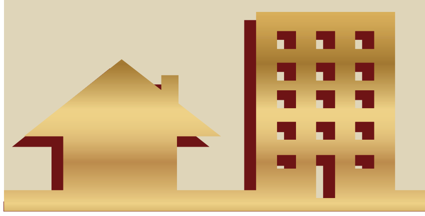
– If the fixed rate is lower than the basic variable rate it makes the decision to fix much easier. But if the fixed rate happens to be higher than the basic variable rate, then moving to a fixed rate requires further consideration.

– Many lenders will charge a fee to change from the variable rate loan to a fixed rate loan and there could also be other charges, especially if the fixed rate loan is paid off prior to the fixed term. These ‘break cost’ charges can be quite substantial.

– There are features such as offset or redraw facilities or the ability to make unlimited additional payments without penalty which comes with a variable product. These may not necessarily apply to a fixed rate product.

– Another consideration could be whether the property is owner occupied or an investment.

A mortgage professional can do the necessary evaluation of a borrower’s individual circumstances and help to make the decision on whether to fix or not to fix.



Is it cheaper to buy than rent?

The most obvious answer to this question would be … of course not! With the price of property at the moment, there is no way it would be cheaper to buy. However, a recent report released by RP Data says it is, albeit in certain suburbs across Australia. The full report can be downloaded for free at www.myrpdata.com/buyorrent.

With the drop in property prices post GFC and the recent decline in interest rates, makes this observation very believable. So is it really better to buy than to rent? Well, that depends on your individual circumstances.

Living in a rental property or in a house being purchased both have advantages and disadvantages. Whilst renting is a short-term decision, purchasing a property is more long-term and needs careful consideration and, if necessary, professional help.

Renting a property has advantages, especially for single people.

– Sharing a rental property can work out to be cheaper.

– Renting an apartment with additional facilities such as a gym and/or a swimming pool which is fully maintained can be cheaper than buying an apartment in the same complex and having to pay strata and management fees.

– No additional fixed outgoings such as council rates or water rates need to be paid.

– Repairs to the property is carried out by the landlord (unless the damage is caused by the tenant).

– Ability to vacate a property at short notice, usually one or two months.

Counteracting these is the current property market offering:

– Cheaper property prices. Most capital cities in Australia had a downturn in property prices post GFC and are yet to show a more than marginal increase.

– Low interest rates. The current economic climate around the world has prompted the Reserve Bank to bring down the interest rates in Australia.

– High rental yields. Investors can capitalize on the higher than normal rentals to own positively geared properties.

– The ability to make improvements to the property without having to refer to anyone.

– The security of knowing that you are able to live in the property for the time period chosen by you and not a landlord.

Taking all these into consideration it is worthwhile evaluating your personal situation and perhaps consulting a professional to make the assessment to see if you are better off renting or buying.

MFAA FULL MEMBER
MFAA APPROVED BROKER EDUCATION • EXPERIENCE • ETHICS

Key Mortgage Solutions
Suite 309
370 St Kilda Road
Melbourne VIC 3004

Richard Bland – Principal
E: richard.bland@keymortgagesolutions.com.au
M: 0422 234 036
P: 03 9686 7199 / F: 03 9686 3644

Ray Stewart – Finance Executive
Australian Credit Rep No: 364308
E: rays@keymortgagesolutions.com.au
M: 0413 429 613
P: 03 9879 3828 / F: 03 9879 4717

W: keymortgagesolutions.com.au